

STATE OF CALIFORNIA

Public Utilities Commission  
San Francisco

**M e m o r a n d u m**

**Date:** May 14, 2002

**To:** The Commission  
(Meeting of May 16, 2002)

**From:** Bill Julian  
Office of Governmental Affairs (OGA) — Sacramento

**Subject:** **SB 1753 (Bowen)** – This bill clarifies the responsibility of the California Independent System Operator (CA ISO) as a nonprofit public benefit corporation.

**As Amended May 2, 2002**

**Recommendation:** Support

**Summary:** This bill clarifies the responsibility of the California Independent System Operator (CA ISO) as a nonprofit public benefit corporation. Specifically that the CA ISO “manage the transmission grids and related energy markets in a manner that is consistent with all of the following:

- 1) Makes the most efficient use of available energy resources. For purposes of this section ‘available energy resources’ include energy, capacity, ancillary services, and demand bid into markets administered by the Independent System Operator. ‘Available energy resources’ do not include a schedule of bilateral energy contracts or generation submitted to the Independent System Operator by an electrical corporation or a local publicly owned electric utility to meet its own customer load.
- 2) Assures the least overall economic cost to the state’s consumers.
- 3) Is consistent with state policies intended to protect the public’s health and the environment.
- 4) Assures maximum availability of electric generation resources necessary to meet the needs of the state’s electricity consumers.”

**Analysis:** The CA ISO operates the transmission grid subject to the regulatory jurisdiction of the FERC. It files tariffs, subject to the approval of FERC, which describe the terms and conditions under which transmission service is provided to entities scheduling electric loads and resources in California.

The electric transmission facilities that it operates are owned by California utilities and the CA ISO itself is an entity created under California law. The internal governance and management of the CA ISO has been a subject of dispute between FERC and the State of California. This bill supplements and refines the statement of corporate purpose which the CA ISO as a state not-for-profit corporation includes in its articles of incorporation and identifies a specific public interest as a matter of state law.

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**Date:** May 14, 2002

BJ:nas

Attachment

## BILL LANGUAGE

BILL NUMBER: SB 1753    AMENDED  
BILL TEXT

AMENDED IN SENATE    MAY 2, 2002

INTRODUCED BY    Senator Bowen  
(Coauthors: Senators Burton, Dunn, ~~and Sher~~  
*Sher, and Speier* )

FEBRUARY 21, 2002

An act to add Section 345.5 to the Public Utilities Code, relating to public utilities.

### LEGISLATIVE COUNSEL'S DIGEST

SB 1753, as amended, Bowen.    Independent System Operator:    duties.

(1) Existing law provides for the establishment of an Independent System Operator, a nonprofit, public benefit corporation, to ensure efficient use and reliable operation of the electrical transmission grid.

This bill would require the Independent System Operator to conduct its operations consistent with applicable state laws and consistent with the interests of the people of the state. The bill would also require the Independent System Operator to manage the transmission grid *and related energy markets* in a manner that makes the most efficient use of available energy resources, ~~facilitates reliable electricity service at the least economic and environmental cost to the state's consumers~~ *assures the least overall economic cost to the state's consumers, is consistent with state policies intended to protect the public's health and the environment, and assures the maximum availability of electric generation resources necessary to meet the needs of the state's electricity consumers* . The bill would also require the Independent System Operator to ensure that its purposes and functions are consistent with those of a nonprofit public benefit corporation, maintain open meetings *consistent with the Bagley-Keene Open Meetings Act* , and provide public access to corporate records *consistent with the California Public Records Act* . *The bill would authorize the Independent System Operator's governing board to adopt exceptions to the requirement to maintain open meetings and provide public access to corporate records if it finds the exceptions further the purposes of the governing acts.* Since under existing law a violation of the bill's requirements would be a crime, this bill would impose a state-mandated local program by changing the definition of a crime.

(2) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 345.5 is added to the Public Utilities Code, to read:

345.5. (a) The Independent System Operator, as a nonprofit, public benefit corporation, shall conduct its operations consistent with applicable state laws and consistent with the interests of the people of the state. ~~The Independent System Operator shall do all of the following:~~

~~(a) Manage the transmission grid and related energy markets in a manner that makes the most efficient use of available energy resources and facilitates reliable electricity service at the least overall economic and environmental cost to the state's consumers.~~

~~(b)~~

(b) To ensure the reliability of retail electric service and the health and safety of the public, the Independent System Operator shall manage the transmission grid and related energy markets in a manner that is consistent with all of the following:

(1) Makes the most efficient use of available energy resources. For purposes of this section "available energy resources" include energy, capacity, ancillary services, and demand bid into markets administered by the Independent System Operator. "Available energy resources" do not include a schedule of bilateral energy contracts or generation submitted to the Independent System Operator by an electrical corporation or a local publicly owned electric utility to meet its own customer load.

(2) Assures the least overall economic cost to the state's consumers.

(3) Is consistent with state policies intended to protect the public's health and the environment.

(4) Assures maximum availability of electric generation resources necessary to meet the needs of the state's electricity consumers.

(c) The Independent System Operator shall do all of the following:

(1) Consult and coordinate with appropriate state and local agencies to ensure that the Independent System Operator operates in furtherance of state policies regarding consumer and environmental protection.

~~(e)~~

(2) Ensure that the purposes and functions of the Independent System Operator are consistent with the purposes and functions of nonprofit, public benefit corporations in the state, including duties of care and conflict-of-interest standards for officers and directors of a corporation.

~~(d)~~

(3) Maintain open meeting standards and meeting notice requirements consistent with the Bagley-Keene Open Meetings Act (Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of the Government Code) and affording the public the greatest possible access, consistent with other duties of the corporation. The Independent System Operator governing board may adopt exceptions to the strict requirements of the act, including, but not limited to, decreasing the notice requirement for public meetings, if it finds that the exceptions further the purposes of the act.

~~(e)~~

(4) Provide public access to corporate records consistent

with the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code) and affording the public the greatest possible access, consistent with the other duties of the corporation. *The Independent System Operator governing board may adopt exceptions to the strict requirements of the act if it finds that the exceptions further the purposes of the act.*

SEC. 2. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.